

**Docket No. 01-0492  
ICC Staff Exhibit 1.0**

**DIRECT TESTIMONY**

**ROY A. KING**

**WATER DEPARTMENT**

**FINANCIAL ANALYSIS DIVISION  
ILLINOIS COMMERCE COMMISSION**

**WONDER LAKE WATER COMPANY**

**Docket No. 01-0492**

**September 2001**

1 **Q. Please state your name and business address.**

2 A. My name is Roy A. King. My business address is 527 East Capitol Avenue, P.  
3 O. Box 19280, Springfield, Illinois 62794-9280.  
4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Illinois Commerce Commission (Commission) as an  
7 Economic Analyst in the Water Department of the Financial Analysis Division  
8 (FAD).  
9

10 **Q. How long have you been employed by the Commission?**

11 A. Since August of 1979.  
12

13 **Q. Will you please briefly state your qualifications?**

14 A. I graduated from Chicago Technical College in 1970 with a Bachelor of Science  
15 degree in Architectural Engineering.  
16

17 From 1970 to May 1979, I served with the U.S. Navy. My assignments included  
18 those of Maintenance Supervisor, Instructor, Counselor for a Drug and Alcohol  
19 Program, and managing a division of 30 men and its related equipment. Since  
20 August 1979, I have been employed by the Commission. Until mid-1982, I was

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1 assigned to the Public Utilities Division, Engineering Department, Gas and  
2 Electric Section as a Utility Engineer. My duties were to assist the Chief Gas  
3 Engineer and the Chief Engineer in the administration of all engineering matters  
4 associated with the regulation of privately owned gas and electric utilities in the  
5 State of Illinois. During this period, my duties included (1) evaluating rate filings  
6 and rules and regulations filings, (2) assisting the Consumer Services Division,  
7 upon request, in handling investigations and correspondence relating to electric  
8 and gas inquiries and complaints, (3) evaluating testimony presented by the  
9 utilities and conducting cross-examination, (4) testifying on behalf of Staff in  
10 applications for Certificates of Convenience and Necessity (Certificates), rate  
11 proceedings and other formal cases which contain issues requiring review by the  
12 Engineering Department, and (5) processing other work as directed by the Chief  
13 Engineer.

14  
15 In 1982, Staff functions were reorganized and I was assigned to the Water and  
16 Sewer Section within the Engineering Department. My duties were very similar  
17 to those previously described, except that I worked on matters associated with  
18 water and sewer utilities.

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1 In November of 1992, engineering and rate matters for water and sewer utilities  
2 were transferred to the Office of Policy and Planning (OPP) and I was assigned  
3 to OPP. My duties include (1) evaluating rate schedule filings, and rules and  
4 regulations filings, (2) assisting the Consumer Services Division, upon request, in  
5 handling inquiries and complaints, (3) evaluating testimony presented by the  
6 utilities and conducting cross-examination, (4) testifying on behalf of Staff in  
7 applications for Certificates, rate proceedings, and other formal cases which  
8 contain issues requiring review by OPP, and (5) reviewing cost-of-service studies  
9 for the water and sewer utilities when so assigned.

10  
11 In 1997, Staff's functions were reorganized and I was assigned to the Rates  
12 Department within FAD (formerly Public Utilities Division). In 2000, Staff's  
13 functions were reorganized forming a Water Department and I was assigned to  
14 the Water Department. My duties are the same as those previously described.

15  
16 Since being employed by the Commission, I have received an Associates Degree  
17 in Business Administration from Lincoln Land Community College, Springfield,  
18 Illinois, and in 1985, I received a Bachelor of Arts Degree in Management from  
19 the University of Illinois, Springfield (formerly Sangamon State University),  
20 Springfield, Illinois.

1  
2 In addition, I have attended a number of courses regarding utility regulation,  
3 including several sponsored by the National Association of Regulatory Utility  
4 Commissioners (NARUC). I completed a one-week utility rate seminar co-  
5 sponsored by the NARUC Water Committee and the University of Utah Center  
6 for Continuing Education. I have also completed a course in Sewage Treatment  
7 Plant Operations, which was sponsored by the Environmental Training Resource  
8 Center at Southern Illinois University, and three courses in depreciation practices  
9 that were sponsored by Depreciation Programs, Inc.  
10

11 **Q. Are you a member of any professional organizations?**

12 A. Yes, I am a member of the Illinois Potable Water Operator's Association, Illinois  
13 Section of the American Water Works Association and American Water Works  
14 Association.  
15  
16

17 **Q. What is your assignment in this case?**

18 A. I was assigned by the Manager of the Water Department to examine Wonder  
19 Lake Water Company's (WLWC, Wonder Lake or Company) operations for  
20 compliance with the Order entered in Docket No. 97-0609. This Order described

1 certain requirements to be completed on the facilities and records to be  
2 maintained to comply with the Public Utilities Act (PUA) and the Illinois  
3 Commerce Commission's Administrative Codes. Specifically, my responsibilities  
4 include presenting testimony regarding WLWC's compliance with the Order in the  
5 Docket No. 97-0609.

6  
7 **Q. Could you briefly describe WLWC's service area and the water facilities**  
8 **utilized to serve the area?**

A9 A. The Company is currently providing water service to approximately 410  
10 residential customers in a portion of the Village of Wonder Lake, which is  
11 contiguous to Highland Shores Subdivision in McHenry County, Illinois. WLWC is  
12 one of five utilities in McHenry County owned by T. P. Mathews. The other  
13 affiliated utilities are:

14 Crystal Clear Water Company;  
15 Highland Shores Water Company;  
16 McHenry Shores Water Company; and  
17 Northern Illinois Utilities, Inc.  
18

19 WLWC received its initial Certificate of Public Convenience and Necessity on  
20 December 4, 1956, in Docket No. 43707.

21  
22 The water distribution system for WLWC consists of one well, two hydro-

1 pneumatic storage tanks for a combined capacity of 20,000 gallons,  
2 approximately 30,600 feet of four (4) and six (6) inch diameter mains,  
3 approximately 412 services, unknown number of meters, and fifteen (15)  
4 hydrants.

5  
6 **Q. Could you describe the events that occurred leading to the Commission**  
7 **entering the Order in Docket No. 97-0609?**

8 A. Yes. On January 10, 1997, Mr. Thomas P. Mathews, owner and operator of NIUI,  
9 filed for an increase in revenues under the Commission's simplified rate case  
10 procedures. In response to WLWC's notification to the customers about the rate  
11 increase, the Consumer Services Division (CSD) began receiving letters and  
12 phone calls from the customers opposing the rate increase. As a result of those  
13 responses filed by the customers, a public meeting was held on March 19, 1997.

14  
15 The purpose of the public meeting was to allow customers the opportunity to  
16 voice any concerns about issues regarding the Company. Mr. Mathews,  
17 President, Mr. Jeff Klaus, Vice President, and Clyde Kurlander, Legal Counsel,  
18 represented WLWC at the public meeting. Representatives from the Illinois  
19 Environmental Protection Agency (IEPA) were present and also answered  
20 questions. Approximately 75 customers served by WLWC attended. The

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1 customers voiced anger and frustration about the quality of water, Company  
2 management, service, and the lack of concern and action by the Commission  
3 and IEPA.

4  
5 As a result of the public meeting, the Commission initiated a Citation proceeding,  
6 Docket No. 97-0609, which terminated the simplified rate case procedure and  
7 commenced an investigation into its rates and non-compliance to the  
8 Commission's rules and regulations. In June 1999, the Commission entered an  
9 Order in Docket No. 97-0609, granting WLWC an increase in revenues and  
10 requiring WLWC to make improvements to the facilities and records.

11  
12 **Q. Can you describe the requirements set forth in the Order in Docket No. 97-**  
13 **0609 and the time schedule that the Company was to complete upgrading**  
14 **the facilities and records to comply with the Public Utilities Act (PUA) and,**  
15 **the Illinois Commerce Commission's Administrative Codes.**

16 **A.** The following summary set forth the actions to be taken and the deadline to be  
17 completed. Note: All deadlines extend from the date of the Order (June 16,  
18 1999).

19

	Requirement	Deadline	Completion
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1.	Establish a meter-testing program on meters that are 10 yrs. Or older;	120 days	Not Completed
2.	Participate in State-Wide One Call Notice (JULIE);	1 year	Completed
3.	Installation of meters to all customers;	1 year	Not Completed
4.	Quarterly reports indicating location of installed meters and remotes and documenting quantity of customer refunds;	Quarterly	Not Completed
5.	Replace or repair 4 hydrants and correct the discrepancies on Schedule 3.03 (a) and (b);	1 year	Not completed
6.	Dead-end mains to be looped (Thompson Road);	1 year	Not completed
7.	Install additional storage tank having capacity at least 55,000 gallons;	5 years	Not completed
8.	Establish 8" future main program;	--	No mains installed
9.	Moisture proof electrical receptacles; and	30 days	Completed
10.	Establish and maintain continuing property ledger.	6 months	Not completed

**Q. Have you reviewed the Company's procedures for testing customer's meters?**

**A.** 83 Ill Adm. Code Part 600.300 and the Order in Docket No. 97-0608, requires that 5/8" meters be tested on a 10 year cycle. During my inspection of the facilities, I did not see a meter testing bench or any evidence that the Company plans to establish a program to test meters on a regular basis or by any outside

1 sources. The Company reported in their September 1999 initial report that they  
2 had arranged to have meters tested by an outside source when the customers  
3 request that their meters be tested. The Company did not provided any support  
4 in their May 15, 2001 filing for a rate increase under the Simplified Rate  
5 Procedures, that they have contracted any outside source for testing of meters.  
6

7 **Q. In your opinion, has WLWC instituted a meter replacement program or an**  
8 **installation program?**

9 A. No. In WLWC's initial report of September 15, 1999, they indicated that the  
10 Company plans to replace all meters over ten years old during the years 1999  
11 and 2000. Based on my discussion with Company personnel, it appears that no  
12 program is in place to replace the meters in WLWC's water system. The  
13 Company's filing for a rate increase, under the Simplified Rate Procedures,  
14 further illustrated this. The filing did not include any contracts showing the  
15 purchase of a large quantity of meters and their associated outside registers.  
16

17 **Q. The Order in Docket No. 97-0609 requires WLWC to provide quarterly**  
18 **reports to Staff regarding installation of meters and remote registers and**  
19 **the amount of refunds with interest made to customers. Based on your**  
20 **investigation, has WLWC made those reports available to Staff according**

1       **to the Order in Docket No. 97-0609?**

2       A.     No. WLWC made an initial report on September 15, 1999. However, the report  
3       did not provide any details as to locations of the meter installations or customers  
4       receiving refunds. In May 2000, Mr. Raymond E. Pilapil, Manager of the Water  
5       Department, and I met with Mr. Thomas P. Mathews. During that meeting I ask  
6       Mr. Mathews why Staff had not received any reports about refunds to customers.  
7       Mr. Mathews reported that the Company was experiencing difficulty with their  
8       computer due to Y2K problems. Approximately one year later, I requested the  
9       information again. This time it was reported that they had upgraded their  
10      computers and the information I was requesting was not readily available. They  
11      would check with the manufacturer to see how they could gather the information.  
12      As of this date, I have not received any information from the Company.

13  
14      **Q.     In your investigation in this proceeding, did you review the Company**  
15      **procedure that customer's meters would be read at least every second**  
16      **billing period?**

17      A.     Based on Staff's discussion with WLWC's personnel, it was reported that they  
18      had a program in place. However, at the time of Staff's inspection, the Company  
19      had not read meters for approximately 3 billing cycles. Therefore, it appears that  
20      the customers were experiencing bills that had two or more consecutive

1 estimates.

2  
3 **Q. In the above answer, you indicated that the Company had estimated**  
4 **customers bills two or more consecutive times. In your opinion, does**  
5 **estimating bills two or more consecutive times comply with 83 Ill. Adm.**  
6 **Code Part 280, "Procedures for Gas, Electric, Water, Sanitary Sewer**  
7 **Utilities Governing Eligibility for Service, Deposits, Payment Practices and**  
8 **Discontinuance of Service?"**

9 A. No. Based on my experience with the Commission, it appears that WLWC is in  
10 violation of 83 Ill. Adm. Code 280.80, "Estimated Bills." Part 280.80 stipulates  
11 that all utilities shall make an actual meter reading at least every second billing  
12 period. Estimates may be used if the utility has taken appropriate and  
13 reasonable measures to read the meters, such as making an appointment with  
14 the customer, scheduling readings other than normal business hours, or  
15 providing postal cards for customer readings.

16  
17 **Q. Since the Order was issued in Docket No. 97-0609, are you aware of any**  
18 **petition by WLWC requesting, or the Commission granting, WLWC a**  
19 **variance from Part 280.80?**

20 A. No.

1  
2 **Q. Have you found other related problems concerning WLWC billing**  
3 **practices?**

4 A. Yes. It was reported that Mr. Mathews has charged customers a \$300 charge to  
5 attach to the water system. The Commission has not approved this charge nor is  
6 it in their currently filed tariffs. Charging fees that have not been approved by the  
7 Commission is in violation of Section 9-240 of the Public Utilities Act (220 ILCS  
8 5/9-240), which states in part:

9 "No public utility shall charge, demand, collect or receive a  
10 greater or less or different compensation for any product, or  
11 commodity furnished or to be furnished, or for any service  
12 rendered or to be rendered, than the rates or other charges  
13 applicable to such product or commodity or service as  
14 specified in its schedules on file and in effect at the time  
15 except as provided in Section 9-104..."  
16  
17

18 **Q. Have you reviewed the Company's operations?**

19 A. Yes, I have personally visited and reviewed the Company's operations and  
20 facilities on a number of occasions since 1993.  
21

22 **Q. Did you inspect WLWC's water facilities in connection with this case?**

23 A. I inspected WLWC's water treatment facilities, valves and hydrants as a follow-up  
24 to the Order in docket No. 97-0609.

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**Q. Having inspected the water facilities, were there any other deficiencies found concerning the reliability of service and/or safety related items?**

A. Yes, I found the following deficiencies:

a) The following hydrants were found to still be in need of repair or replacement:

No. 18 – Hydrant hard to operate and shakes during operation;

No. 13 – Hydrant does not operate; and

No. 9 – Hydrant does not closed after operating.

**Q. Is item (a) above the same items reported by you in Docket 97-0609, in which the Commission ordered WLWC to replace or repair?**

A. Yes, it is.

**Q. I am showing you a document marked for identification as ICC Staff Exhibit 1.00, Schedule 1.01, and ask you to identify these documents.**

A. Schedule 1.01 is a two-page summary of my inspection of the Company's hydrants.

**Q. On Schedule 1.01, it appears that there were other minor discrepancies with the hydrants in WLWC's system that you found besides item (a), such as missing hydrant cap chains and hydrants needing painting. Are you**

1        **recommending that these discrepancies be repaired?**

2        A.     Yes, I am still recommending these discrepancies be repaired. These  
3        discrepancies still exist, as found and reported in Docket No. 97-0609.

4  
5        **Q.     Based on the Order in 97-0609, WLWC was to install an additional main to**  
6        **loop the main on Thompson Road. Has this been completed?**

7        A.     Based on my understanding the proposed loop on Thompson road has not been  
8        completed. This is further illustrated in the Company's filing for a rate increase,  
9        under the Simplified Rate Procedures. The filing did not include any contracts  
10       showing that bids were issued to construct the main, nor has the Company filed  
11       to seek the Commission's approval for loans to pay for the installation of this  
12       loop.

13  
14       **Q.     Since the Commission granted WLWC a rate increase of \$4,874 (7.9%**  
15       **increase) in June 1999, have any events occurred that affects the**  
16       **Company's financial status?**

17       A.     Yes. On or about late October or earlier November 1999, WLWC filed for  
18       bankruptcy. Based on my understanding, the Company is still in bankruptcy.

19  
20       **Q.     Have you completed your investigation into WLWC's operation and**

1        **financial status concerning this docket?**

2        A.     No. Schedule 1.02 is Staff's data request mailed to Mr. Mathews requesting  
3               additional information concerning continuing property records, electric bills,  
4               missing quarterly reports and billing practice. The Company was to respond to  
5               the data requests by August 31, 2001. As of September 14, 2001, Staff had not  
6               received those responses.

7  
8        **Q.     Has WLWC established Continuing Property Records as per the Order in**  
9               **Docket No. 97-0609?**

10       A.     No. Based on my discussion with the Company personnel, it appears that  
11               Continuing Property Records has not been established.

12  
13       **Q.     Based on the above reasons, do you have a recommendation to the**  
14               **Commission concerning the status of Wonder Lake Water Company;**  
15               **owned and operated by Mr. Mathews?**

16       A.     Yes, I am recommending to the Commission that Section 4-502 of the PUA be  
17               applied in this instance. Under Section 4-502 (a), the Commission may provide  
18               for the acquisition of a small public utility or telecommunications carrier by a  
19               capable public utility or telecommunications carrier, if the Commission, after  
20               notice and an opportunity to be heard, determines one or more of the following:

- (1) The small public utility or telecommunications carrier is failing to provide safe, adequate, or reliable service;
- (2) The small public utility or telecommunications carrier no longer possesses sufficient technical, financial, or managerial resources and abilities to provide the service Or services for which its certificate was originally granted;
- (3) The small public utility or telecommunications carrier has been actually or effectively abandoned by its owners or operators;
- (4) The small public utility or telecommunications carrier has defaulted on a bond, note, or loan issued or guaranteed by a department, office, commission, board, authority, or other unit of State government;
- (5) The small public utility or telecommunications carrier has willfully failed to comply with any provision of this Act, any other provision of State or federal law, or any rule, Regulation, order, or decision of the Commission; or
- (6) The small public utility or telecommunications carrier has willfully allowed property owned or controlled by it to be used in violation of this Act, any other provision of State or federal law, or any rule, regulation, order, or decision of the Commission.

Therefore, for the reasons discussed above, it appears that the WLWC does not meet the requirements stated in provisions (1), (2) and (5) of Section 4-502.

**Q. If the Commission should order the acquisition of WLWC by a capable public utility, what utilities are in the vicinity, which are capable of complying with the order in Docket No. 97-0609 and improving overall service to the customers.**

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1     A.     Of the investor-owned utilities that the Commission regulates, it would appear to  
2           be Citizens Utilities Company of Illinois, Consumers Illinois Water Company and  
3           Utilities, Inc.

4

5     **Q.     Does this conclude your Direct Testimony?**

6     A.     Yes, it does.